

Message Text

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PAGE 01 BELGRA 00161 131540Z

43

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AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: EFIN, ENRG, ETRD, YO, KU

SUBJ: KUWAIT AGREES TO FINANCE ONE-THIRD OF INITIAL
COSTS OF YUGOSLAV PIPELINE

REF: KUWAIT 0001, BELGRADE 6234, ZAGREB A-76

SUMMARY: FIRST MEETING OF YUGOSLAV-KUWAITI MIXED COMMITTEE
FOR ECONOMIC COOPERATION REPORTEDLY RESULTED IN KUWAITI
AGREEMENT TO FINANCE ONE-THIRD OF VALUE OF TRANS-YUGOSLAVIA
OIL PIPELINE, BUT "MODALITIES" REMAIN TO BE WORKED OUT IN
FEBRUARY. PIPELINE CONSORTIUM REPRESENTATIVE TELLS
US THAT AGREEMENT COVERS ONLY \$300 MILLION FIRST PHASE
OF PROJECT. MIXED COMMITTEE ALSO CONSIDERED VARIETY OF
OTHER COOPERATIVE POSSIBILITIES, AND JOINT ENTERPRISE
TO CARRY OUT CAPITAL PROJECTS IN KUWAIT AND ELSEWHERE
WAS ESTABLISHED. RESULTS ENHANCE CHANCES OF TIMELY
START ON PIPELINE MAY 31, AND RE-CONFIRM YUGOSLAV CAPA-
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PAGE 02 BELGRA 00161 131540Z

BILITIES TO OBTAIN CREDITS AND CONSTRUCTION CONTRACTS

IN MIDDLE EAST. END SUMMARY

1. KUWAIT MINISTER OF FINANCE AND OIL ATEEQI WAS IN BELGRADE JAN 7 TO 11 FOR FIRST PLENARY SESSION OF YUGOSLAV-KUWAITI MIXED COMMITTEE FOR ECONOMIC COOPERATION, AND DISCUSSIONS WITH YUGOSLAV PREMIER BIJEDIC, FEC MEMBER SMOLE, AND FINANCE SECRETARY CEMOVIC.

2. COMMUNIQUE STATED THAT "FULL AGREEMENT WAS REACHED" ON QUESTION OF KUWIAT PARTICIPATION IN FINANCING CONSTRUCTION OF 453-MILE TRANS-YUGOSLAV (PAN-ADRIA) OIL PIPELINE, WITH EXPERTS TO DISCUSS "MODALITIES OF COOPERATION" AND WORK OUT FINAL DOCUMENTS IN FEBRUARY. ATEEQI TOLD PRESS THAT KUWIAT HAS DECIDED TO FINANCE ONE-THIRD OF COST OF PROJECT.

3. ACCORDING TO COMMUNIQUE, MIXED COMMITTEE ALSO CONSIDERED POSSIBLE KUWAITI FINANCING FOR CONSTRUCTION OR EXPANSION OF YUGOSLAV INDUSTRIAL CAPACITIES, AND AGREED TO CONTINUE STUDYING THESE POSSIBILITIES. AT PRESS CONFERENCE, ATEEQI CONFIRMED THAT YUGOSLAVIA COULD "AVAIL ITSELF OF THE KUWAIT FINANCIAL MARKET," AND ADDED THAT KUWAIT IS READY TO CONTRIBUTE TO SOLUTION OF YUGOSLAV FINANCIAL PROBLEMS.

4. DURING MIXED COMMITTEE SESSION, MAJOR YUGOSLAV ENGINEERING AND CONSTRUCTION FIRM "ENERGOPROJEKT" SIGNED AGREEMENT WITH KUWAIT NATIONAL REAL ESTATE COMPANY TO ESTABLISH JOINT ENTERPRISE TO CARRY OUT INVESTMENT PROJECTS IN KUWAIT AND OTHER COUNTRIES, ENERGOPROJEKT IS TO CONTRIBUTE 40 PERCENT OF INITIAL CAPITAL OF SEVEN MILLION DOLLARS, AND TECHNICAL AND MANAGEMENT PERSONNEL, INCLUDING DIRECTOR-GENERAL.

5. COMMUNIQUE EXPRESSED INTEREST OF BOTH SIDES IN DEVELOPING FURTHER COOPERATIVE PROJECTS IN KUWAIT AND ELSEWHERE, PARTICULARLY IN CONSTRUCTION, SHIPBUILDING, TOURISM, MINING, AND AGRICULTURE. TALKS ALSO "PAID SPECIAL ATTENTION TO...YUGOSLAV OIL PURCHASES IN KUWIAT," BUT NO FURTHER DETAILS WERE SUPPLIED. (SUCH LIMITED OFFICIAL USE

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PAGE 03 BELGRA 00161 131540Z

PURCHASES ARE NOW SMALL.)

6. KUWAIT "HIGHLY APPRECITES" YUGOSLAV SUPPORT AND AID FOR ARAB AND OTHER LDC'S--ATEEQI TOLD PRESS -- AND WOULD LIKE TO ASSIST YUGOSLAVIA IN THESE ENDEAVORS. KUWAIT SEES ITS CONTRIBUTION TO PIPELINE AS WAY OF ESTABLISHING LINKS WITH ALL COUNTRIES THROUGH WHICH IT PASSES, ATTEQI ADDED.

7. ASKED ABOUT SECRETARY KISSINGER INTERVIEW WITH BUSINESS WEEK MAGAZINE, ATEEQI CONDEMNED "THREATS OF WAR" AND POINTED OUT ARABS HAVE RIGHT TO USE OIL AS WEAPON "INsofar AS U.S. THREATENS TO RAISE PRICES OF FOOD AND INDUSTRIAL PRODUCTS AND EVEN TO BAN THEIR EXPORT" TO OIL PRODUCERS.

8. COMMENT: AN OFFICIAL OF INA -- SENIOR MEMBER OF YUGOSLAV PIPELINE CONSORTIUM -- TELLS US THAT KUWAITI AGREEMENT IN PRINCIPLE TO FINANCE ONE-THIRD RELATES ONLY TO \$300 MILLION PHASE ONE, I. E., CONSTRUCTION OF MAIN TRUNK TO SISAK AND HUNGARIAN BORDER, AND THAT ABOUT TWO-THIRDS OF \$100 MILLION KUWAITI CREDIT WILL BE IN FORM OF PIPE DELIVERIES. NEVERTHELESS, CLEAR PROSPECT FOR KUWAITI PARTICIPATION GIVES CONSORTIUM HOPE THAT WOK CAN ACTUALLY BEGIN BY END OF MAY, PROVIDED WORLD BANK PARTICIPATION IS SECURED. (IBRD TEAM IS EXPTECTED IN ZAGREB JANUARY 16.) BELGRADE PUBLICATIONS ALSO REPORT CONTINUED NEGOTIATIONS ON PIPELINE FINANCING WITH LIBYA. YUGOSLAV SUCCESS IN OBTAINING SECOND MAJOR KUWAITI CREDIT -- FOLLOWING \$100 MILLION ARRANGEMENT OF JUNE 1974 -- AND OTHER RESULTS OF MEETING WITH ATEEQI APPEAR TO RE-CONFIRM YUGOSLAV CAPABILITIES OF DERIVING SIGNIFICANT FINANCIAL AND COMMERCIAL ADVANTAGE FROM EXCELLENT RELATIONS WITH WEALTHY MIDDLE EASTERN OIL PRODUCER COUNTRIES. AS REPORTED COMPREHENSIVELY IN BELGRADE 5434, YUGOSLAVS WOULD LIKE TO COOPERATE WITH U.S. IN THOSE MARKETS.
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